

Hello and thank you all for coming.

I am Ralph de la Torre, the President and CEO of Caritas Christi Health Care. I am delighted to be here tonight as we solicit your comments on a transaction that will provide substantial immediate and long term benefits to all members of the Brockton Community.

Caritas Christi is a system of six hospitals in Eastern Massachusetts including Good Samaritan Medical Center right here in Brockton. Our hospitals not only provide critical care to our communities but they also serve as major economic engines. As a system, Caritas Christi employs over 12,000 full time employees, making us the 10th largest employer in the Commonwealth. In Brockton alone, we employ 1,800 full time employees.

We come here tonight eager to hear comments from the Brockton community on an agreement by Steward Health Care System LLC, to acquire Caritas Christi. This transaction with Steward Health Care, a portfolio company of Cerberus Capital Management, will secure the future of our system. Your comments will help guide us in delivering to your community, to our community, a clear vision. As a show of their commitment to this transaction, we are joined tonight by a representative of Steward, Lisa Gray. For the past five years, Caritas has been searching for a financial sponsor to stabilize our system and

lay the foundation for continued growth and service to our communities. We strongly feel that the future of health care in Massachusetts lies in a robust, integrated, community-based health care system. Caritas, however, faces significant challenges. Our physical plants are among the oldest of any hospital system in the state; investments in new technology have been lacking; the pension obligation is enormous, seriously underfunded, and has no federal insurance backstop; and our debt service is draining our operating funds. In order to simply meet our debt obligations and pension obligations, we would need approximately \$65 million a year of cash. These hurdles compounded by an erratic and declining stock market has made it impossible to fulfill our mission and vision without a partner. In short, we need capital to be able to continue.

In the two years preceding my arrival, and in the two years subsequent, we have aggressively sought a way of recapitalizing our system. We explored affiliations with non-profit entities, both Catholic and non-Catholic, acquisitions by for-profit hospital companies, and by direct private equity institutions. After a competitive review, we selected Cerberus Capital Management because they shared our vision of world class, community-based health care as well as our commitment to pensioners, employees, and communities. They are committed to building a low cost, high quality community based Accountable Care Organization and maintaining the company as a Massachusetts based operation.

Steward Health Care will commit between \$830 - \$850 million to acquire Caritas. Of this, \$116 million is being immediately spent for much needed and overdue capital improvements: new operating rooms, cardiac catheterization labs, new emergency departments, new radiation therapy centers and good old-fashioned infrastructure like roofs and boilers. We have held five groundbreakings in the past

month to jump start these projects, which will produce up to 4,000 new jobs for Massachusetts.

Here at Good Sam, we recently broke ground to build a new emergency department to support 60,000 patient visits including 42 treatment bays and 32,000 feet of new medical space. The cost of this project is \$30.1 million.

In addition to these immediate construction projects, this transaction will allow us to pay off virtually all of our outstanding debt - approximately \$230 million and free up over \$40 million in annual cash flow.

In addition to the massive construction initiative and the repayment of our debt, this transaction allows us to fulfill our obligation to our current and past employees. Caritas has over 13,000 pensioners. This transaction will provide the means to fully fund the pension of those employees who have given so much to our system. Since our pension is a non-electing church plan and substantially underfunded, without this investment our pension would likely default, leaving current and future pensioners at risk.

In summary, the initial Steward commitment guarantees and secures our pension, eliminates virtually all of our debt, and begins a massive construction effort aimed at revitalizing our system and our communities.

In addition, Steward has agreed to preserve our identity and to embrace our vision. Steward has agreed to embrace our charity care policies and to continue to fund our pastoral care and community benefits. This represents an annual commitment, system-wide, of over \$60 million. In Brockton, that means we will continue to invest over \$11 million a year in free care, community benefits and programs such

as our Community Resource Day, our cardiovascular and wellness screenings and so forth. In fact, one of the reasons we are soliciting your comments at this hearing is to understand what community benefits you find most appropriate and worthwhile.

Furthermore, as part of our identity, our Catholic heritage and mission will be perpetuated. I have had many meetings with Cardinal Sean and the Archdiocese and we have entered into a Stewardship agreement that perpetuates our Catholic identity and mission. This is a bedrock of our culture and it will not change. These beliefs not only shape our views on charity care but reflect our appreciation of social justice and specifically their embodiment in labor relations.

A commitment to past and present obligations, however, is not enough. Through this transaction Steward is investing in the future of our communities and in the future of Massachusetts. We believe that in order to fulfill our mission of providing high quality, low cost health care to everyone, a new model is needed, the Caritas model, the Steward model. We believe in a regional accountable care organization that is community based. To this end, this transaction brings a Steward commitment for \$400 million in capital investments, locally, in our communities. This will ensure that community-based care thrives in Massachusetts; bringing not only great care but a solid employment base to our communities, communities like Brockton.

Securing pension, paying debt, revitalizing our facilities, funding our community benefits, investing in our future, are all admirable, all essential. But being good citizens means a commitment to pay taxes wherever possible. In our case it is more than possible, it is a reality. Caritas will, for the first time, pay state and local taxes. Over the next 5 years we estimate paying up to \$100 million in new taxes to the state

and local communities. In an era of painful belt tightening and hard municipal choices, new tax revenues should be a godsend.

Good Sam and Caritas have a proud tradition of providing world-class health care to our community members where they live. This transaction not only ensures but enhances this commitment. Just as important, however, is that this transaction helps ensure the livelihood of this community. It ensures the continuity of our pension, expands the municipal revenue base, provides for the stability and growth of our workforce, and provides a real stimulus when this community needs it most. For all of these reasons, I am happy to welcome Steward health care into our community, into our family.